

**CHARTER OAK-UTE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2008 lection)		
Betty Lou Olson	President	2010
Joanne Seufert	Vice President	2008
Dean Staley		2010
Bill Magill		2009
Valeta Pautsch		2009

(After September 2008 Election)		
Betty Lou Olson	President	2011 *
Bill Magill	Vice President	2009
Dean Staley		2011 *
Jim Ewoldt		2011
Valeta Pautsch		2009

School Officials

Rollie Wiebers	Superintendent
Cathy Carstens	District Secretary /Treasurer

* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Charter Oak-Ute Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Charter Oak-Ute Community School District, Charter Oak, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Charter Oak-Ute Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2009 on our consideration of Charter Oak-Ute Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

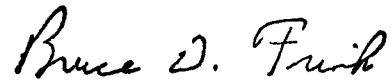
Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Oak-Ute Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

December 15, 2009

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Oak-Ute Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund Revenues increased from \$3,085,260 in fiscal 2008 to \$3,265,517 in fiscal 2009, (a six percent increase) while General Fund expenditures decreased from \$3,159,642 in fiscal 2008 to \$3,112,638 in fiscal 2009 (a one percent decrease).
- Revenues increased in all areas. The decrease in expenses was mainly attributed to cost containment measures, primarily in administration, maintenance and transportation. The general fund balance increased by over \$152,000.
- The Charter Oak-Ute Community School District collects Statewide Sales and Services Tax. These funds are being used to finance improvements in the District's infrastructure including an addition to the Charter Oak building.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Charter Oak-Ute Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Charter Oak-Ute Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Activity Fund and a multiyear comparison of revenues and expenses.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Charter Oak-Ute Community School District Annual Financial Report

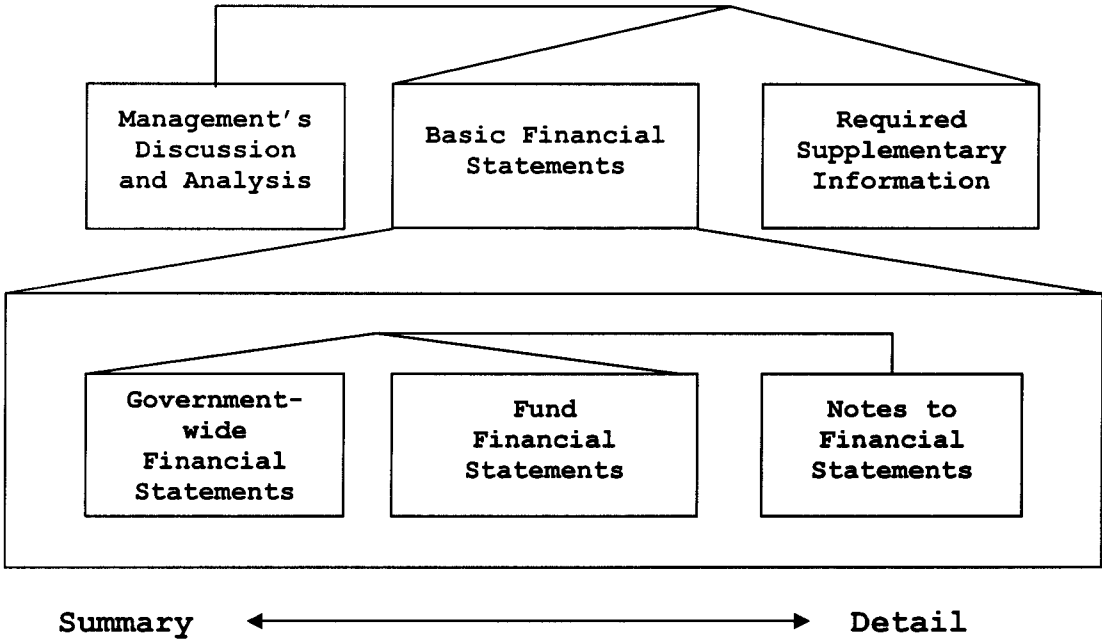


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Fund
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For simplicity of presentation the District has elected to treat all funds as "major".

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 2,798	2,348	12	3	2,810	2,351	19.52%
Capital assets	1,671	1,711	2	2	1,673	1,713	-2.34%
Total assets	4,469	4,059	14	5	4,483	4,064	10.31%
Current liabilities	1,394	1,249	-	5	1,394	1,254	11.16%
Long-term liabilities	324	447	-	-	324	447	0.00%
Total liabilities	1,718	1,696	-	5	1,718	1,701	1.00%
Net Assets							
Invested in capital assets, net of related debt	1,355	1,266	2	2	1,357	1,268	7.02%
Restricted	514	400	-	-	514	400	28.50%
Unrestricted	882	697	12	(2)	894	695	28.63%
Total net assets	\$ 2,751	2,363	14	-	2,765	2,363	17.01%

The District's combined net assets increased by over 17%, or approximately \$402,000 over the prior year. The largest portions of the District's net assets are invested in capital assets and cash.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$199,000 or 29%. This increase was due primarily to growth in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4								
Changes in Net Assets								
(Expressed in Thousands)								
Governmental Activities		Business type Activities		Total School District		Total Change		
2009	2008	2009	2008	2009	2008	2008-2009		
Revenues:								
Program revenues:								
Charges for service and sales	\$ 170	141	76	76	246	217	13.36%	
Operating grants, contributions and restricted interest	717	618	83	78	800	696	14.94%	
General revenues:								
Property tax	1,208	1,150	-	-	1,208	1,150	5.04%	
Income surtax	201	178	-	-	201	178	12.92%	
Local option sales tax	211	194	-	-	211	194	8.76%	
Unrestricted state grants	1,242	1,254	-	-	1,242	1,254	-0.96%	
Unrestricted investment earnings	11	23	-	-	11	23	-52.17%	
Other	60	53	-	-	60	53	13.21%	
Total revenues	3,820	3,611	159	154	3,979	3,765	5.68%	
Program expenses:								
Governmental activities:								
Instruction	2,228	2,221	-	-	2,228	2,221	0.32%	
Support Services	1,042	1,055	-	-	1,042	1,055	-1.23%	
Non-instructional programs	1	3	145	147	146	150	-2.67%	
Other expenses	161	151	-	-	161	151	6.62%	
Total expenses	3,432	3,430	145	147	3,577	3,577	0.00%	
Change in net assets	\$ 388	181	14	7	402	188	113.83%	

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91% of the total expenses. This percentage is above the state average and shows the District's commitment to channeling funds directly to student needs as much as possible.

Governmental Activities

Revenues for governmental activities were \$3,820,029 and expenses were \$3,432,220.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 2,228	2,221	0.32%	1,484	1,594	-6.90%
Support services	1,042	1,055	-1.23%	1,021	1,037	-1.54%
Non-instructional programs	1	3	-66.67%	1	3	-66.67%
Other expenses	161	151	6.62%	39	37	5.41%
Totals	<u>\$ 3,432</u>	<u>3,430</u>	<u>0.06%</u>	<u>2,545</u>	<u>2,671</u>	<u>-4.72%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$170,565 (a 21% increase).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$460,280 (a 25% increase).
- The net cost of governmental activities was financed with \$1,208,231 in property and other taxes and \$1,241,618 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ending June 30, 2009 were \$158,891 and expenses totaled \$144,405. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District held meal prices steady. Expenses decreased as a result of cost containment measures. The fund balance increased by over \$14,000.

FUND ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Charter Oak-Ute Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

- The district's General Fund financial position increased partially due to revenue growth, but primarily from cost containment measures in administration, maintenance and transportation. The preservation of the General Fund balance is especially important in light of the fact that the district is now on the 101% Budget Guarantee and future funding will depend more heavily on student enrollment.
- The Charter Oak-Ute Community School District's Activity Fund increased in fiscal year 2008 by approximately \$4,000.
- The District began paying off the debt on the addition to the high school building. These funds came from the statewide sales and service tax.

Proprietary Fund Highlights

The School Nutrition Fund cash balance increased approximately \$14,000 due to cost containment measures (primarily in payroll).

BUDGETARY HIGHLIGHTS

The District's receipts were \$68,000 more than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving more in miscellaneous revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Expenditures exceeded the budgeted amount in the non-instructional programs function but did not exceed anticipated expenditures as a whole.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$1,670,530, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$104,523.

The original cost of the District's capital assets was \$4,219,047. Governmental funds account for \$4,211,958, with the remainder of \$7,089 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements category. The District is using its statewide Sales and Services Tax Funds to do a variety of infrastructure projects throughout the District. The District spent over \$37,000 in improvements and additions to District facilities.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 1	1	-	-	1	1	0.00%
Land improvements	358	356	-	-	358	356	0.56%
Buildings	1,248	1,261	-	-	1,248	1,261	-1.03%
Furniture and equipment	64	93	2	2	66	95	-30.53%
Totals	<u>\$ 1,671</u>	<u>1,711</u>	<u>2</u>	<u>2</u>	<u>1,673</u>	<u>1,713</u>	<u>-2.34%</u>

Long-Term Debt

The District has early retirements included in its long-term debt. Early retirements will be paid from the Management Fund as they come due.

In fiscal year 2008, the District sold \$500,000 of revenue bonds to be used for an addition to the Charter Oak building. \$130,000 was retired during the current fiscal year leaving a balance remaining of \$315,000. The final payment will be made in fiscal year 2014.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
Revenue bonds	\$ 325	455	100.00%
Early retirement payable	9	2	350.00%
Totals	\$ 334	457	-26.91%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Declines in enrollment in future years will have serious consequences as less state aid will be received and bigger burden put on tax money.
- State aid cuts will force the District to look for other avenues of revenue as well as areas in which it can further edit costs.
- The increased costs in open enrollment out tuition will be there for years to come.
- Increased costs in salary expenditures and lost revenue from enrollment declines, could also force the district to consider doing away with the practice of maintaining small class section sizes at the elementary and Junior High grade levels.
- The District also relies on special state and federal funding sources to fund teacher salaries and cuts in these funding sources would have serious negative consequences for the district.
- The District constructed a new addition to the Charter Oak building which will expand space available for existing programs.
- The District continues to upgrade its facilities and equipment in order to provide the best learning environment possible to its students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rollie Wiebers, Superintendent, Charter Oak-Ute Community School District, 321 Main Street, Charter Oak, IA 51439.

Basic Financial Statements

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash	\$ 1,140,449	10,891	1,151,340
Receivables:			
Property tax:			
Current year	17,912	-	17,912
Succeeding year	1,348,678	-	1,348,678
Income surtax - succeeding year	155,961	-	155,961
Due from other governments	101,046	-	101,046
Other receivables	80	-	80
Inventories	34,470	1,045	35,515
Capital assets, net of accumulated depreciation	1,670,530	1,863	1,672,393
Total assets	4,469,126	13,799	4,482,925
Liabilities			
Accounts payable	29,074	-	29,074
Accrued interest payable	6,707	-	6,707
Deferred revenue:			
Succeeding year property tax	1,348,678	-	1,348,678
Federal programs	9,544	-	9,544
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	2,320	-	2,320
Revenue bonds	60,000	-	60,000
Portion due after one year:			
Early retirement payable	6,728	-	6,728
Revenue bonds	255,000	-	255,000
Total liabilities	1,718,051	-	1,718,051
Net assets			
Invested in capital assets, net of related debt	1,355,530	1,863	1,357,393
Restricted for:			
Management	75,351	-	75,351
Physical Plant and Equipment Levy	114,391	-	114,391
Capital Projects	324,183	-	324,183
Unrestricted	881,620	11,936	893,556
Total net assets	\$ 2,751,075	13,799	2,764,874

See notes to financial statements.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues				Business Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities		
Functions/Programs						
Governmental activities:						
Instruction:	\$ 2,228,015	170,565	573,488	(1,483,962)	-	(1,483,962)
Support services:						
Student services	59,147	-	-	(59,147)	-	(59,147)
Instructional staff services	60,886	-	-	(60,886)	-	(60,886)
Administration services	380,269	-	-	(380,269)	-	(380,269)
Operation and maintenance of plant services	348,060	-	21,864	(326,196)	-	(326,196)
Transportation services	193,890	-	-	(193,890)	-	(193,890)
	1,042,252	-	21,864	(1,020,388)	-	(1,020,388)
Non-instructional programs:						
Food service operations	1,166	-	-	(1,166)	-	(1,166)
Other expenditures:						
Facilities acquisition and construction services	4,646	-	-	(4,646)	-	(4,646)
Interest on debt service	15,383	-	-	(15,383)	-	(15,383)
AEA flowthrough	121,409	-	121,409	-	-	-
Depreciation (unallocated)*	19,349	-	-	(19,349)	-	(19,349)
	160,787	-	121,409	(39,378)	-	(39,378)
Total governmental activities	3,432,220	170,565	716,761	(2,544,894)	-	(2,544,894)

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest			
Business type activities:						
Non-instructional programs:						
Nutrition services	144,405	76,385	82,506	-	14,486	14,486
Total	<u>\$ 3,576,625</u>	<u>246,950</u>	<u>799,267</u>	<u>(2,544,894)</u>	<u>14,486</u>	<u>(2,530,408)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,078,587	-	1,078,587
Management fund				79,989	-	79,989
Capital outlay				49,655	-	49,655
Income surtax levied for:						
Instructional support				133,868	-	133,868
Capital outlay				66,922	-	66,922
Statewide sales and services tax				210,758	-	210,758
Unrestricted state grants				1,241,618	-	1,241,618
Unrestricted investment earnings				11,112	-	11,112
Other				60,194	-	60,194
Total general revenues				<u>2,932,703</u>	<u>-</u>	<u>2,932,703</u>
Change in net assets				387,809	14,486	402,295
Net assets beginning of year				<u>2,363,266</u>	<u>(687)</u>	<u>2,362,579</u>
Net assets end of year				<u>\$ 2,751,075</u>	<u>13,799</u>	<u>2,764,874</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

Assets

Cash							
Receivables:							
Property tax:							
Current year							
Succeeding year							
Income surtax - succeeding year							
Due from other governments							
Other receivables							
Inventory							
Total assets							
	\$	586,034	310,941	113,655	83,213	46,606	1,140,449
		15,990	-	736	1,186	-	17,912
		1,214,140	-	54,538	80,000	-	1,348,678
		103,974	-	51,987	-	-	155,961
		87,804	13,242	-	-	-	101,046
		-	-	-	-	80	80
		34,470	-	-	-	-	34,470
	\$	2,042,412	324,183	220,916	164,399	46,686	2,798,596

Liabilities and Fund Balances

Liabilities:							
Accounts payable	\$	29,074	-	-	-	-	29,074
Deferred revenue:							
Succeeding year property tax							
Succeeding year income surtax							
Federal programs							
Total liabilities							
Fund balances:							
Unreserved							
Total fund balance							
Total liabilities and fund balances							
	\$	2,042,412	324,183	220,916	164,399	46,686	2,798,596
		685,680	324,183	114,391	84,399	46,686	1,255,339
		685,680	324,183	114,391	84,399	46,686	1,255,339
		1,356,732	-	106,525	80,000	-	1,543,257
		1,214,140	-	54,538	80,000	-	1,348,678
		103,974	-	51,987	-	-	155,961
		9,544	-	-	-	-	9,544
		1,356,732	-	106,525	80,000	-	1,543,257
		685,680	324,183	114,391	84,399	46,686	1,255,339
		685,680	324,183	114,391	84,399	46,686	1,255,339
	\$	2,042,412	324,183	220,916	164,399	46,686	2,798,596

See notes to financial statements.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)		\$ 1,255,339
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,670,530
Income surtax receivable at June 30, 2009 is not available to finance expenditures of the current fiscal period		155,961
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds		(6,707)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Early retirement	\$ (9,048)	
Revenue bonds	<u>(315,000)</u>	<u>(324,048)</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 2,751,075</u></u>

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General	Capital Projects	Physical Plant and Equipment Levy	Debt Service	Management Levy	Student Activity	Total
Revenues:							
Local sources:							
Local tax	\$ 1,197,916	210,758	109,311	-	79,989	-	1,597,974
Tuition	170,565	-	-	-	-	-	170,565
Other	73,828	19,103	2,111	-	551	110,782	206,375
State sources	1,655,484	-	38	-	61	-	1,655,583
Federal sources	167,724	-	-	-	-	-	167,724
Total revenues	<u>3,265,517</u>	<u>229,861</u>	<u>111,460</u>	<u>-</u>	<u>80,601</u>	<u>110,782</u>	<u>3,798,221</u>
Expenditures:							
Instruction	<u>2,100,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,973</u>	<u>105,908</u>	<u>2,221,295</u>
Support services:							
Student services	59,147	-	-	-	-	-	59,147
Instructional staff services	59,072	-	1,814	-	-	-	60,886
Administration services	351,605	-	24,585	-	4,079	-	380,269
Operation and maintenance of plant services	261,136	17,520	6,842	-	25,896	-	311,394
Transportation services	159,855	-	5,500	-	2,037	-	167,392
	<u>890,815</u>	<u>17,520</u>	<u>38,741</u>	<u>-</u>	<u>32,012</u>	<u>-</u>	<u>979,088</u>
Noninstructional programs:							
Food service operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,166</u>	<u>-</u>	<u>1,166</u>

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General	Capital Projects	Physical Plant and Equipment Levy	Debt Service	Management Levy	Student Activity	Total
Other expenditures:							
Facilities acquisition and construction services	-	22,888	23,771	-	-	-	46,659
Debt service:							
Principal	-	-	-	130,000	-	-	130,000
Interest	-	-	-	18,624	-	-	18,624
AEA flowthrough	121,409	-	-	-	-	-	121,409
	<u>121,409</u>	<u>22,888</u>	<u>23,771</u>	<u>148,624</u>	<u>-</u>	<u>-</u>	<u>316,692</u>
Total expenditures	<u>3,112,638</u>	<u>40,408</u>	<u>62,512</u>	<u>148,624</u>	<u>48,151</u>	<u>105,908</u>	<u>3,518,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>152,879</u>	<u>189,453</u>	<u>48,948</u>	<u>(148,624)</u>	<u>32,450</u>	<u>4,874</u>	<u>279,980</u>
Other financing sources (uses)							
Operating transfers in	-	-	-	148,624	-	-	148,624
Operating transfers out	-	(148,624)	-	-	-	-	(148,624)
	<u>-</u>	<u>(148,624)</u>	<u>-</u>	<u>148,624</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>152,879</u>	<u>40,829</u>	<u>48,948</u>	<u>-</u>	<u>32,450</u>	<u>4,874</u>	<u>279,980</u>
Fund balances beginning of year	<u>532,801</u>	<u>283,354</u>	<u>65,443</u>	<u>-</u>	<u>51,949</u>	<u>41,812</u>	<u>975,359</u>
Fund balances end of year	<u>\$ 685,680</u>	<u>324,183</u>	<u>114,391</u>	<u>-</u>	<u>84,399</u>	<u>46,686</u>	<u>1,255,339</u>

See notes to financial statements.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ 279,980

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities 21,808

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 63,837	
Depreciation expense	<u>(104,337)</u>	(40,500)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,241

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(6,720)
------------------	---------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 130,000

Change in net assets of governmental activities (Exhibit B) \$ 387,809

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 76,385
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	44,336
Benefits	6,310
Supplies	93,573
Depreciation	186
Total operating expenses	144,405
Operating (loss)	(68,020)
Non-operating revenues:	
Local sources	77
State sources	2,019
Federal sources	80,410
	82,506
Net profit	14,486
Net assets beginning of year	(687)
Net assets end of year	\$ 13,799

See notes to financial statements.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 77,793
Cash payments to employees for services	(50,646)
Cash payments to suppliers for goods or services	(85,343)
Net cash (used by) operating activities	<u>(58,196)</u>
Cash flows from non-capital financing activities:	
State grants received	2,019
Federal grants received	72,464
Net cash provided by non-capital financing activities	<u>74,483</u>
Cash flows from financing activities:	
Interest on investments	<u>77</u>
Net increase in cash and cash equivalents	16,364
Cash and cash equivalents beginning of year	<u>(5,473)</u>
Cash and cash equivalents end of year	<u><u>\$ 10,891</u></u>
Reconciliation of operating (loss) to net cash used by operating activities:	
Operating (loss)	\$ (68,020)
Adjustments to reconcile operating (loss) to net cash provided by (used by) operating activities:	
Depreciation expense	186
Commodities used	7,946
Decrease in receivables	1,408
Decrease in inventory	284
	<u><u>\$ (58,196)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$7,946.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

Charter Oak-Ute Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Charter Oak and Ute, Iowa, and agricultural area in Monona and Crawford Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Charter Oak-Ute Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Charter Oak-Ute Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Monona and Crawford Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to show all funds as major funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The Capital Projects Fund is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds as well as for infrastructure construction projects. It is funded through a one cent sales tax.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The District reports the following major proprietary fund:

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget by April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and federal revenues for which funds were received prior to June 30, 2009 but will not be spent until the following fiscal year.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the non-instructional programs function area exceed the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,247	-	-	1,247
Capital assets being depreciated:				
Buildings	2,045,737	4,793	-	2,050,530
Improvements other than buildings	491,053	37,220	-	528,273
Furniture and Equipment	1,610,084	21,824	-	1,631,908
Total capital assets being depreciated	4,146,874	63,837	-	4,210,711
Less accumulated depreciation for:				
Buildings	784,526	17,908	-	802,434
Improvements other than buildings	135,505	35,083	-	170,588
Furniture and Equipment	1,517,060	51,346	-	1,568,406
Total accumulated depreciation	2,437,091	104,337	-	2,541,428
Total capital assets being depreciated, net	1,709,783	(40,500)	-	1,669,283
Governmental activities, capital assets, net	\$ 1,711,030	(40,500)	-	1,670,530

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 7,089	-	-	7,089
Less accumulated depreciation	<u>5,040</u>	<u>186</u>	<u>-</u>	<u>5,226</u>
Business type activities capital assets, net	<u>\$ 2,049</u>	<u>(186)</u>	<u>-</u>	<u>1,863</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Operation and maintenance of plant

Transportation

Unallocated

Total depreciation expenses - governmental activities

\$ 52,990

31,998

19,349

\$ 104,337

Business Type activities

Food service operations

\$ 186

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members were required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$110,075, \$107,161, and \$101,191 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$121,409 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

Charter Oak-Ute Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Early Retirement	Revenue Bonds	Total
Balance beginning of year	\$2,328	455,000	447,328
Additions	9,048	-	9,048
Reductions	<u>2,328</u>	<u>130,000</u>	<u>132,328</u>
Balance end of year	<u>\$9,048</u>	<u>315,000</u>	<u>324,048</u>

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-seven and less than sixty-two years of age and employees must have completed at least twenty years of consecutive service to the District. Employees completed an application for early retirement which must be accompanied by the employee's written resignation. Such resignations are conditional upon acceptance by the Board of the employee for the early retirement program. The District will pay \$75 of the monthly premium for the single or family health and major medical insurance coverage. An employee who was granted early retirement benefits shall also be entitled up to \$120 per month to put towards the coverage of the individual's health insurance provided by the District's insurance carrier; this is based upon \$1.00 for each unused sick leave day up to 120 days. The retiree shall be notified of termination of benefits upon reaching age of sixty-five, death, or failure to make payment.

Early retirement benefits paid during the year ended June 30, 2009, totaled \$2,328. A liability has been recorded representing the District's commitment to fund early retirement costs.

(8) Revenue Bonds Payable

Details of the District's June 30, 2009 School Infrastructure Sales Tax Revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2010	4.471%	\$13,413	60,000	73,413
2011	4.471	10,731	60,000	70,731
2012	4.471	9,389	60,000	69,389
2013	4.471	5,365	60,000	65,365
2014	4.471	<u>2,683</u>	<u>75,000</u>	<u>77,683</u>
Total		<u>\$41,581</u>	<u>315,000</u>	<u>356,581</u>

The District has pledged future statewide sales and services tax revenues to repay the \$500,000 bonds issued in 2007. The bonds were issued for the purpose of financing a portion of the costs of an addition to the high school. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2016. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$356,581. For the current year, 148,624 of principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$210,758.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$50,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the local option (statewide) sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all of the revenue bond provisions during the year ended June 30, 2009. The required reserve account was established by the District and had a balance of \$225,158 at June 30, 2009.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$148,624</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,974,914	76,462	2,051,376	1,990,882	1,990,882	60,494
State sources	1,655,583	2,019	1,657,602	1,717,917	1,717,917	(60,315)
Federal sources	167,724	80,410	248,134	180,000	180,000	68,134
Total revenues	<u>3,798,221</u>	<u>158,891</u>	<u>3,957,112</u>	<u>3,888,799</u>	<u>3,888,799</u>	<u>68,313</u>
Expenditures/Expenses:						
Instruction	2,221,295	-	2,221,295	3,119,946	3,119,946	898,651
Support services	979,088	-	979,088	1,070,911	1,070,911	91,823
Non-instructional programs	1,166	144,405	145,571	140,258	140,258	(5,313)
Other expenditures	316,692	-	316,692	455,364	455,364	138,672
Total expenditures/expenses	<u>3,518,241</u>	<u>144,405</u>	<u>3,662,646</u>	<u>4,786,479</u>	<u>4,786,479</u>	<u>1,123,833</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	279,980	14,486	294,466	(897,680)	(897,680)	1,192,146
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	279,980	14,486	294,466	(897,680)	(897,680)	1,192,146
Balance beginning of year	975,359	(687)	974,672	1,112,680	1,112,680	(138,008)
Balance end of year	<u>\$ 1,255,339</u>	<u>13,799</u>	<u>1,269,138</u>	<u>215,000</u>	<u>215,000</u>	<u>1,054,138</u>

See accompanying independent auditor's report.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures exceeded the amount budgeted in the non-instructional programs function. The District did not exceed its General Fund unspent authorized budget.

Other Supplementary Information

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama Club	4,558	1,161	27	5,692
Band/Vocal Programs	-	548	523	25
Band	287	1,433	1,720	-
Vending Machine/Pop - Charter Oak	1,152	4,799	5,424	527
Elementary Stand	1,906	4,643	3,225	3,324
Vending Machine/Pop - Ute	323	1,051	1,059	315
Basketball - Boys/Girls	3,127	8,775	9,333	2,569
Track - Boys/Girls	200	1,353	1,553	-
Football	1,712	6,822	7,069	1,465
Baseball	205	2,377	2,270	312
Volleyball	440	2,915	2,479	876
Softball	181	4,626	4,361	446
Coaches Concession	-	4,674	4,674	-
Annual	235	8,239	3,596	4,878
Newspaper	372	125	238	259
Spanish Club	405	-	-	405
Pep Club	1,218	1,032	697	1,553
FFA National Convention	1,295	1,505	2,029	771
FFA Fund	5,886	23,545	23,676	5,755
Student Council Sr High	4,075	5,448	5,540	3,983
Class of 2014	671	2,039	1,350	1,360
Class of 2013	1,088	775	590	1,273
Class of 2015	-	1,003	756	247
Class of 2009	5,533	199	5,732	-
Class of 2010	1,990	21,061	17,353	5,698
Class of 2012	2,470	-	-	2,470
Class of 2011	2,483	-	-	2,483
Interest	-	634	634	-
Total	41,812	110,782	105,908	46,686

See accompanying independent auditor's report.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 1,597,974	1,500,384	1,450,792	1,389,813	1,303,133
Tuition	170,565	141,325	129,725	162,155	134,976
Other	206,375	212,299	219,753	188,467	171,112
State sources	1,655,583	1,607,944	1,552,952	1,472,765	1,568,214
Federal sources	167,724	129,054	225,805	212,189	255,760
Total	<u>\$ 3,798,221</u>	<u>3,591,006</u>	<u>3,579,027</u>	<u>3,425,389</u>	<u>3,433,195</u>
					<u>2,987,826</u>
Expenditures:					
Instruction	\$ 2,221,295	2,225,946	2,229,392	2,228,804	2,284,107
Support services:					
Student	59,147	44,659	42,454	59,723	61,109
Instructional staff	60,886	77,754	109,602	49,777	1,334
Administration	380,269	398,239	356,759	306,131	314,724
Operation and maintenance of plant	311,394	324,472	282,827	267,784	263,323
Transportation	167,392	168,647	159,096	220,079	221,796
Non-instructional programs	1,166	3,397	2,038	2,448	1,856
Other expenditures:					
Long-term debt:					
Principal	130,000	55,000	-	-	6,364
Interest	18,624	9,371	-	-	-
Facilities acquisition	46,659	738,398	104,796	127,918	142,516
AEA flowthrough	121,409	114,358	110,135	106,094	106,466
Total	<u>\$ 3,518,241</u>	<u>4,160,241</u>	<u>3,397,099</u>	<u>3,368,758</u>	<u>3,403,595</u>
					<u>2,990,647</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of the
Charter Oak-Ute Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Charter Oak-Ute Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter Oak-Ute Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Charter Oak-Ute Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Charter Oak-Ute Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Charter Oak-Ute Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Charter Oak-Ute Community School District's financial statements that is more than inconsequential will not be prevented or detected by Charter Oak-Ute Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Charter Oak-Ute Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

Compliance and Other Matters

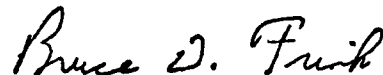
As part of obtaining reasonable assurance about whether Charter Oak-Ute Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompany Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Charter Oak-Ute Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Charter Oak-Ute Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Charter Oak-Ute Community School District and other parties to whom Charter Oak-Ute Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Charter Oak-Ute Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

December 15, 2009

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-09 AUDITOR DRAFTING OF THE FINANCIAL STATEMENTS AND RELATED FOOTNOTE DISCLOSURES

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the certified budget amount in the non-instructional programs function.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- II-B-09 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted..
- II-H-09 Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.
- II-I-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

CHARTER OAK-UTE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			210,758
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	40,408	
Debt service for school infrastructure:			
Revenue debt		<u>148,624</u>	<u>189,032</u>
Ending balance			\$ <u>21,726</u>